

Michael D. Ralston

Director



IOWA DEPARTMENT OF REVENUE

Taxpayer Services Section • P. O. Box 10457 • Des Moines, Iowa 50306
• www.state.ia.us/tax • 1-800-367-3388

IOWA SALES TAX CHANGES EFFECTIVE JULY 1, 2004

If your business involves any of the following, you will need to learn more about these changes.

Classes are being offered statewide; see the enclosed list. In addition, you may go to our Web site at www.state.ia.us/tax. To talk to a tax specialist, call 1-800-367-3388 (Iowa, Omaha, Rock Island, Moline) or 515-281-3114 or e-mail idrf@idrf.state.ia.us

	CURRENT LAW	BEGINNING JULY 1, 2004
Do you deliver by common carrier or through the Post Office?	The local option tax rate of the jurisdiction of the Post Office or seller is applied in addition to the state rate.	The local option tax rate at the destination is applied.
Do you purchase tangible personal property for lease or rental?	Tangible personal property purchased to be leased/rented for less than five months is subject to sales tax.	Any item purchased with the intent to be leased or rented will be exempt from sales tax as a purchase for resale. Sellers should obtain exemption certificates from buyers. Certificates are available on the department Web site.
Do you lease or rent tangible personal property?	If property is first leased in Iowa, the Iowa sales tax is imposed on all subsequent lease payments, even if the property is removed from Iowa. Iowa use tax is imposed on property coming into Iowa even if it was first leased and tax was paid to another state. A tax credit is allowed in some instances.	The sales tax on leased property is imposed in the jurisdiction where the property is located. If the property is moved to another jurisdiction, the source of taxation changes. (Note: This does not include vehicles subject to registration.)
Do you sell any of the following? Bottled water Candy Chewing gum Soft drinks/juices Vegetable seeds and plants, fruit trees	Taxable Taxable Exempt Exempt if 15% vegetable or fruit juice Exempt	Exempt Taxable unless it contains flour Taxable Exempt if more than 50% vegetable or fruit juice Taxable unless produce is for resale

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What businesses are affected by these changes?

- Any business that delivers by common carrier or through the Post Office
- Food sales: Grocery stores, convenience stores, concession stands, and others that sell:
 - Bottled water
 - Soft drinks
 - Juices
 - Chewing gum
 - Candy
- Garden centers, landscaping and lawn care businesses, greenhouses, and others that sell:
 - Vegetable seeds and plants
 - Fruit trees
- Lease and rental: Machinery, equipment, tools, computers, furniture, and other tangible personal property:
 - Businesses that sell items to be leased/rented
 - Businesses that lease/rent the items to customers

Attention Consolidated Filers!

This notice was not sent to each of your retail outlets. Please notify them of changes that affect their sales or purchases.

Why are these changes being made?

These changes are the result of the action by the Iowa Legislature on HF683 in response to a national effort called the Streamlined Sales Tax Project. HF683 will:

1. Establish uniformity in sales tax collection and reporting for businesses doing business in multiple states and
2. Modernize sales and use tax collection and administration.

The Streamlined Sales Tax Project involves state governments, with input from local governments and the private sector. Forty states and the District of Columbia are involved in the project.

Following are goals of the Streamlined Sales Tax Project:

- Uniform definitions within tax laws
- Rate simplification
- Retention of state-level tax administration of all state and local sales and use taxes
- Uniform rules to determine point of taxation
- Simplified exemption administration for use-based and entity-based exemptions
- Uniform audit procedures

The national Streamlined Sales Tax Project Web site is <http://www.streamlinedsalestax.org>

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More changes are coming!**Keep up with Iowa tax changes**

Register to receive free updates by e-mail.

Sign up for the Business Taxes and/or Withholding E-List at

www.state.ia.us/tax

